Improvement in the functioning of RRBs

723. SHRI S. M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the 196 Regional Rural Banks are to be merged into one big entity;

(b) whether it is also a fact that a commercial financial institution will emerge from this merger;

(c) if so, what are the objectives of this proposal; and

(d) to what extent this will improve the functioning of the regional banking network?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.

(b) to (d) Several options for revamping of Regional Rural Banks (RRBs) have been suggested. Each of above options has certain merits and demerits and none can be applied in isolation because of the prevailing socio-economic conditions and region specific problems. The reach and size of the RRBs will also be kept in view while considering consolidation of RRBs on a sustainable basis. Discussions in this regard had so far remained inconclusive.

Chelapati Rao Committee on RRBs

724. SHRI S.M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether Government had appointed the Chelapati Rao Committee to study various aspects of rural finance and the role of Regional Rural Banks;

(b) if so, when did the Committee submit its report; and

(c) what steps Government have taken to implement this report?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) a Working Group was constituted under the Chairmanship of Shri M.V.S. Chelapati Rao to review and suggest amendments in the Regional Rural Banks' (RRBs') Act 1976 and issues connected therewith. The Working Group submitted its report on 6th August, 2002.

(c) The important recommendations of the Working Group suggesting changes in capital structure, ownership pattern etc. of the RRBs involve

comprehensive amendments in the Regional Rural Banks (RRBs) Act, 1976. The recommendations are being examined in consultation with Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), State Governments and sponsor banks. A select group of Chairman and Managing Directors (CMDs) of sponsor banks has also made recommendations for revamping of RRBs. Several options for restructuring of RRBs have been suggested. Each of above options has its merits and demerits and none can be applied in isolation because of the prevailing socio-economic conditions and region specific problems. Professor Vyas Committee appointed by RBI has also examined restructuring of RRBs and submitted its report on 30th June, 2004. Since any steps to restructure the RRBs will involve extensive amendment in RRBs'Act, the merits and demerits of the suggestions made by the various Committees will be examined in detail for taking a decision. Discussion in this regard had so far remained inconclusive.

Closure of banks in Andhra Pradesh

725. SHRI S. M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has given permission to commercial banks to close a number of branches in Andhra Pradesh in 2002-03 and 2003-04;

(b) if so, the details in this regard;

(c) whether it is a fact that RBI encouraged banks to curtail their operations in rural areas; and

(d) if so, what are the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) RBI has reported that as per the extant policy, Banks are allowed to close their loss-making rural branches at centres having two or more branches of commercial banks functioning there, after mutual consultation. Commercial banks closed, merged or converted 11 loss-making and non-viable branches in 2002-03 and 8 in 2003-04 in Andhra Pradesh.

(c) No, Sir.